



National Action Plan for EE

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Group A

Recognize energy efficiency
as a high-priority resource

Midwest Implementation Meeting



Goal for Breakout Group A

- Advancing the dialogue in the Midwest Region to help “recognize energy efficiency as a high priority energy system resource.”
- Group will discuss and identify:
 - Reasons for recognizing EE as a high-priority resource
 - Barriers to assigning a high priority to energy efficiency
 - Options for assigning energy efficiency as a high priority resource
 - Assistance needed to implement the Action Plan recommendation
 - Actions and next steps



EE as a Resource Sets Foundation

- Adopting this recommendation suggests that states and utilities may look to embrace the other four recommendations in the Action Plan
- May also consider implementing many of the “options to consider” associated with those recommendations



Drivers for Recognizing Energy Efficiency as a High Priority Resource

- Low cost of EE relative to other resources today
- Possible cost trajectories of other resources
- Obstacles to construction of new supply and transmission
- Energy system benefits of EE
- Air quality; pollution; climate change mitigation
- Economic development support



Benefits of Energy Efficiency in Resource Planning		
	Electricity	Natural Gas
Energy-related benefits	Reduced wholesale energy purchases	Reduced wholesale natural gas purchases
	Reduced line losses	Reduced losses and unaccounted for gas
	Reduced air emissions	Reduced air emissions
Capacity-related benefits	Generation capacity/ resource adequacy/ regional markets	Production and liquified natural gas facilities
	Operating reserves and other ancillary services	Pipeline capacity
	Transmission and distribution capacity	Local storage and pressure
Other benefits	Market price reductions (consumer surplus)	
	Lower portfolio risk	
	Local/in-state jobs	
	Low-income assistance and others	



Barriers to Establishing Energy Efficiency as a High-Priority Resource

(Aside from barriers affecting direct customer investment in EE)

- Statutes in conflict with this priority, or statutes which are ambiguous
- Throughput incentive in traditional regulation
- Rate caps discouraging utility investment in new areas
- Cost-benefit tests that do not fully or sufficiently value system and other benefits
- Resource acquisition and planning that addresses EE as an afterthought compared with other resources
 - Perhaps driven by a lack of confidence that efficiency gains are reliable or measurable with sufficient accuracy



Options to Consider from the Action Plan

- Establish policies to declare energy efficiency to be a priority resource
- Integrate energy efficiency into utility, state and regional resource planning activities
- Quantify and establish the value of energy efficiency, reflecting energy savings, capacity and ancillary benefits, and environmental benefits as appropriate



Who Sets the Priority?

- Statutes are important
- Leadership from elected officials
- Follow through from appointed and career officials
- Confidence and skill from implementers



Priority is Key; Can be Applied to Any System

- Apply to retail competition regime or vertically integrated utility
- Apply to utilities of all ownership structures
- Apply to procurement funded or system benefit charge
- Apply to utility, government or third party administration



Example: California

- Minimum EE Funding via SBC
- Energy Action Plan from CPUC/CEC adopts the “loading order” concept (2003)
- Governor Executive Order includes energy savings goals plus more (2004)
- “Procurement Funding” for EE (2004)
- Implementation Report from CEC (2005)
- CPUC and CEC actively engaged in communicating benefits of EE as a high priority resource



Questions for the Group Discussion



Questions for the Group

- Do Midwest utilities recognize and capture all advantages of EE? (slide 4)
- Do Midwest state statutes clearly support including EE costs in rates, and for EE to be compared with other resources in planning and siting proceedings?
- Does the political climate in Midwest states allow for consensus on fundamental support for EE? If not, what needs to change?
- How can EE be raised to a top-level Governors' priority?



Measuring Action Plan Commitments

- Nationally, Action Plan commitments to “recognize energy efficiency as a high-priority energy resource” will be measured by:
 - Updated statutes supporting energy efficiency
 - Supportive executive orders establishing goals, etc.
 - Commitment by implementing agencies to investigate and support energy efficiency
 - Multi-agency cooperation
 - Multi-state commitments to EE
 - Private sector consensus backing up government commitments